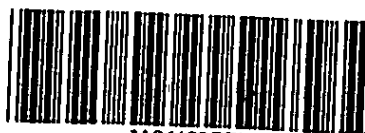


**UDV (SJ) Limited**  
**Financial statements**  
**30 June 2013**

Registered number 989164



A01

20/03/2014

#361

COMPANIES HOUSE

## **Directors' report**

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2013

### **Activities**

The company is an investment holding company

Details of changes in investments during the year are set out in note 5 of these financial statements

### **Going concern**

The company participates in the group's centralised treasury arrangements and so the parent and fellow group undertakings have agreed to provide financial support for the foreseeable future. The majority of the liabilities at the balance sheet date are in respect of balances due to fellow group undertakings. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Diageo group to continue as a going concern. On the basis of their assessment, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future with the support from the group undertakings. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Financial**

The results for the year ended 30 June 2013 are shown on page 5

No dividend was paid during the year (2012 - £nil)

The loss for the year transferred from reserves is £30 million (2012 - £30 million)

### **Directors**

The directors who held office during the year were as follows

G Geiszl  
D Heginbottom  
J J Nicholls  
M Pais  
P D Tunncliffe

On 1 October 2013, G Geiszl resigned as a director of the company

### **Directors' remuneration**

None of the directors received any remuneration during the year in respect of their services as directors of the company (2012 - £nil)

**Directors' report (continued)**

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor, KPMG Audit Plc, is deemed to be reappointed and will continue in office

**Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

By order of the board



M Pais  
Director  
Lakeside Drive,  
Park Royal,  
London,  
NW10 7HQ

19 February 2014

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## **Independent auditor's report to the members of UDV (SJ) Limited**

We have audited the financial statements of UDV (SJ) Limited for the year ended 30 June 2013 set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

**Karen Wightman, (Senior Statutory Auditor)**  
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

Date *20th February 2014*

## Profit and loss account

	<i>Notes</i>	<b>Year ended 30 June 2013 £million</b>	<b>Year ended 30 June 2012 £million</b>
Interest receivable		48	46
Interest payable		(78)	(101)
Net interest payable	1	(30)	(55)
Loss on ordinary activities before taxation		(30)	(55)
Taxation on loss on ordinary activities	4	-	25
<b>Loss for the financial year</b>		<b>(30)</b>	<b>(30)</b>

The accounting policies and other notes on pages 7 to 15 form part of the financial statements

There is no difference between the results for the year shown in the profit and loss account and the results for the relevant years restated on a historical cost basis

All results arise from continuing operations

## Statement of total recognised gains and losses

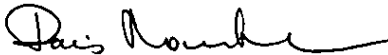
	<i>Notes</i>	<b>Year ended 30 June 2013 £million</b>	<b>Year ended 30 June 2012 £million</b>
Loss for the financial year		(30)	(30)
Exchange gains/(losses)	11	1,043	(751)
Unrealised gain on investments	11	4,705	10,489
<b>Total recognised gains for the financial year</b>		<b>5,718</b>	<b>9,708</b>
<b>Total recognised gains since the last financial statements</b>		<b>5,718</b>	<b>9,708</b>

## Balance sheet

	Notes	30 June 2013 £million	30 June 2012 £million
<b>Fixed assets</b>			
Investments	5	59,910	50,953
<b>Current assets</b>			
Debtors due within one year	6	9,422	6,943
Cash at bank and in hand	7	-	1
		<u>9,422</u>	<u>6,944</u>
<b>Creditors due within one year</b>	8	<u>(15,702)</u>	<u>(9,985)</u>
<b>Net current liabilities</b>		<u>(6,280)</u>	<u>(3,041)</u>
<b>Net assets</b>		<u>53,630</u>	<u>47,912</u>
<b>Capital and reserves</b>			
Called up share capital	9	2,309	2,309
Share premium account	10	6,908	6,908
Revaluation reserve	10	39,976	34,228
Profit and loss account	10	4,437	4,467
		<u>51,321</u>	<u>45,603</u>
<b>Shareholders' funds</b>	11	<u>53,630</u>	<u>47,912</u>

The accounting policies and other notes on pages 7 to 15 form part of the financial statements

These financial statements on pages 5 to 15 were approved by the board of directors on 19 February 2014 and were signed on its behalf by

  
M Pais  
Director

## **Accounting policies**

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the company's financial statements

### **Basis of preparation**

The financial statements are prepared on a going concern basis under the historical cost convention modified by the revaluation of certain fixed asset investments and in accordance with applicable UK accounting standards

The company is a wholly owned subsidiary of Diageo plc and is included in the consolidated financial statements of Diageo plc which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No 1 (Revised 1996)

The company is exempt under the terms of Financial Reporting Standard No 8 from disclosing related party transactions (but not balances) with entities that are wholly owned by a member of the Diageo group ("group undertakings") or investees of the Diageo group

The company is exempt from the requirement to prepare consolidated accounts under section 400 of the Companies Act 2006 as its results are included in the published consolidated financial statements of Diageo plc. These financial statements present information about the company as an individual undertaking and not about its group

### **Going concern**

The financial statements have been prepared on a going concern basis as a fellow group undertaking has agreed to provide financial support for the foreseeable future

### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. The company uses foreign currency borrowings and other financial instruments to provide a hedge against its foreign equity investments. Where this is the case, and subject to the provisions in Statement of Standard Accounting Practice No 20, the equity investments are denominated in the appropriate underlying foreign currencies with exchange differences arising on translation taken to reserves, together with netting exchange differences arising on hedging currency borrowings and other financial instruments. Exchange differences on forward contracts are determined by reference to the rate of exchange under the contract, and any implied forward premium or discount is not separately recognised. Other exchange gains and losses are taken to the profit and loss account

### **Fixed asset investments**

Investments in shares in group undertakings are stated at directors' valuation as described in note 5 to the accounts. Any unrealised surplus of the revalued amount over cost is taken to a revaluation reserve. Income from fixed asset investments is credited to the profit and loss account when it is approved by the paying company. Investments are stated at directors' valuation less, where appropriate, provision for impairment in value where such impairment is expected by the directors to be permanent

### **Taxation**

Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted at the balance sheet date. Except as otherwise required by FRS 19, deferred tax is provided in full on timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less tax, in the future. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Any interest or penalties on tax liabilities are provided in the tax charge

## Notes to the financial statements

### 1. Net interest payable

	Year ended 30 June 2013 £million	Year ended 30 June 2012 £million
Interest receivable on loans to fellow group undertakings	48	46
Less		
Interest payable on loans from fellow group undertakings	(74)	(100)
Discount unwind on deferred and contingent consideration	(4)	(1)
	<hr/>	<hr/>
Total interest payable	(78)	(101)
	<hr/>	<hr/>
Net interest payable	(30)	(55)
	<hr/>	<hr/>

Discount unwind is calculated on the deferred and contingent consideration related to the Zacapa acquisition (see note 9)

### 2. Directors and employees

The company did not employ any staff during either the current or prior year

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2012 - £nil)

### 3. Operating costs

Fees in respect of audit services provided by the auditor are £56,000 (2012 - £64,000) Amounts receivable by the auditor in respect of other (non-audit) services have not been disclosed as the information is required to be disclosed on a consolidated basis in the consolidated financial statements of Diageo plc

## Notes to the financial statements (continued)

### 4. Taxation

	Year ended 30 June 2013 £million	Year ended 30 June 2012 £million
<b>(i) Analysis of taxation credit for the year</b>		
<b>Current tax</b>		
UK corporation tax	-	25
	<hr/>	<hr/>
	Year ended 30 June 2013 £million	Year ended 30 June 2012 £million
<b>(ii) Factors affecting current tax credit for the year</b>		
Loss on ordinary activities before taxation	(30)	(55)
	<hr/>	<hr/>
Taxation on loss on ordinary activities at UK corporation tax rate of 23.75% (2012 - 25.5%)	7	14
Group relief surrendered for nil consideration	(5)	(14)
Adjustment in respect of prior years	-	25
Foreign income subject to UK tax	(2)	-
	<hr/>	<hr/>
Current ordinary tax credit for the year	-	25
	<hr/>	<hr/>

### 5. Fixed assets – investments

	30 June 2013 £million	30 June 2012 £million
Balance brought forward (at directors' valuation)	50,953	41,183
Exchange adjustments	1,552	(1,530)
Additions	2,700	812
Revaluation of investments	4,705	10,488
	<hr/>	<hr/>
Balance carried forward (at directors' valuation)	59,910	50,953
	<hr/>	<hr/>

The balance brought forward at the 2012 directors' valuation predominantly represents the investments in Diageo Holdings Netherlands B V, Diageo Investment Holdings Limited and Diageo Inc, which are partially financed by foreign currency borrowings. These investment balances are retranslated at the foreign exchange rates prevailing at the balance sheet date and the resulting foreign exchange gains and losses taken to reserves, net of foreign exchange gains and losses on hedging borrowings and other financial instruments.

## Notes to the financial statements (continued)

### 5. Fixed assets – investments (continued)

On 9 August 2012, the company subscribed for 1 ordinary share of £1 at a premium of £293 million in the capital of Diageo Investment Holdings Limited.

On 28 January 2013, the company subscribed for 99 ordinary shares of HUF350 each and on 25 February 2013, a further 50,000 ordinary shares of HUF350 each at an aggregate premium of HUF347,681 million for a total cash consideration of £1,030 million (at a rate of HUF337 705/£) in the share capital of Diageo Ireland Finance 1, a new Irish incorporated and tax resident subsidiary

On 26 February 2013, the company acquired the entire issued share capital of Diageo Hungary Marketing Services Limited from Diageo Scotland Limited at book value for a cash consideration of £1 million

On 22 March 2013, the company subscribed for 99 ordinary shares of \$1 each in the share capital of Diageo Ireland Finance 2, a new Irish incorporated and tax resident subsidiary

On 16 April 2013, and on 19 June 2013, the company subscribed for 100,000 and 108,259 ordinary shares of \$1 each at a premium of \$9,999 each (at a rate of \$1 5316/£ and \$1 57075/£) respectively in the share capital of Diageo Ireland Finance 2, a new Irish incorporated and tax resident subsidiary. Total cash consideration provided to Diageo Ireland Finance 2 was £1,342 million

On 20 June 2013, the company acquired the entire share capital of Diageo Financing Turkey Limited from Diageo Finance plc at net asset value for a consideration of £34 million settled via intercompany

If shown on an historical cost basis and at historic exchange rates, the investments' net carrying value would be stated at a value of £20,316 million (2012 - £17,616 million)

## Notes to the financial statements (continued)

### 5. Fixed assets – investments (continued)

The principal subsidiary undertakings of the company as at 30 June 2013

	Country of incorporation	Principal activity	Percentage and class of shares held
<b>Direct subsidiary undertakings</b>			
Diageo Hungary Marketing Services Limited Liability Company	Hungary	Marketing services	100% of Ordinary
Diageo Investment Holdings Limited	United Kingdom	Investment holding company	100% of Ordinary
Diageo Ireland Finance 1	Republic of Ireland	Treasury operations	100% of Ordinary
Diageo Ireland Finance 2	Republic of Ireland	Treasury operations	100% of Ordinary
Diageo Financing Turkey Limited	United Kingdom	Treasury operations	100% of Ordinary
Diageo Finance US Limited (formerly Diageo Spare Company No 5 Limited)	United Kingdom	Treasury operations	100% of Ordinary
Rum Creation & Products	British Virgin Islands	Production of premium drinks	50% of shareholding, 100% of Ordinary B shares
<b>Indirect subsidiary undertakings</b>			
Diageo Holdings Netherlands B V	Netherlands	Investment holding company	100% of Ordinary
Diageo Brands B V	Netherlands	Marketing and distribution of premium drinks	100% of Ordinary
Diageo Highlands B V	Netherlands	Investment holding company	100% of Ordinary
Diageo Inc	US	Investment holding company	100% of Ordinary A and B shares
Diageo Investment Corporation	US	Financing company for the US group	100% of Ordinary
Diageo Ireland	Ireland	Production, marketing and distribution of premium drinks	100% of Ordinary
Diageo North America, Inc	US	Production, importing and marketing of premium drinks	100% of Ordinary
R & A Bailey & Co	Ireland	Production, marketing and distribution of premium drinks	100% of Ordinary
Selviac Nederland B V	Netherlands	Investment holding company	100% of Ordinary

## Notes to the financial statements (continued)

### 5. Fixed assets – investments (continued)

	Country of incorporation	Principal activity	Percentage and class of shares held
<b>Other direct holdings</b>			
Anejos de Altura	Guatemala	Production of premium drinks	0 000006% of Ordinary
Diageo France Holdings SE	Netherlands	Investment holding company	0 000000% of Ordinary
<b>Other indirect fixed asset investments</b>			
Moët Hennessy, SNC	France	Production and distribution of premium drinks	34% of Ordinary

Certain undertakings have been omitted from the lists above as they are either dormant or not material. A full list of Diageo group subsidiary (and associated) undertakings will be annexed to the company's next annual return.

### 6. Debtors: due within one year

	30 June 2013 £million	30 June 2012 £million
Amounts owed by fellow group undertakings		
Diageo Finance plc	8,268	6,943
Diageo Investment Holdings Limited	1,154	-
	<hr/>	<hr/>
	9,422	6,943
	<hr/>	<hr/>

Amounts owed by fellow group undertakings represent transactions with companies in the Diageo group with which the company has a long term financing relationship. For the purposes of financial statement classification, amounts owed by group undertakings that do not have a specified repayment date are regarded as short term and consequently are considered to have a fair value which is not materially different to the book value.

Amounts owed by fellow group undertakings bear interest at a floating rate, are unsecured and repayable on demand.

## Notes to the financial statements (continued)

### 7. Cash at bank and in hand

The company has entered into a joint and several guarantee with certain other Diageo plc UK group undertakings such that any balance on the company's bank accounts within the cashpool may be offset against the bank balances or overdrafts of those companies included in the cashpool. The amount shown in the balance sheet of 30 June 2013 includes bank accounts outside the cash-pool amounting to £nil (2012 - £1 million)

### 8. Creditors: due within one year

	30 June 2013 £million	30 June 2012 £million
Amounts owed to fellow group undertakings		
Diageo Finance plc	15,663	9,947
United Distillers Investments Limited	7	7
Deferred and contingent consideration	32	31
	<hr/>	<hr/>
	15,702	9,985
	<hr/>	<hr/>

Amounts owed to fellow group undertakings represent transactions with companies in the Diageo group with which the company has a long term financing relationship. These financing relationships are expected to continue for the foreseeable future. For the purposes of financial statement classification, amounts owed to group undertakings that do not have a specified repayment date are regarded as short term and consequently are considered to have a fair value which is not materially different to the book value.

Amounts owed to fellow group undertakings are unsecured, and repayable on demand. Amounts owed to Diageo Finance plc bear interest at a floating rate, amounts owed to other fellow group undertakings are interest free.

On 5 July 2011, the company acquired a 50% equity controlling stake in Rum Creation & Products (RCP), the owner of the Zacapa rum brand, from Industrias Licoreras de Guatemala (ILG). According to the purchase agreement Diageo is obliged to pay a deferred and contingent consideration. The company's best estimate, as at 30 June 2013, of the expected cash payment is £32 million (2012 - £31 million).

### 9. Share capital

	30 June 2013 £million	30 June 2012 £million
<i>Allotted, called up and fully paid:</i>		
4,617,540,617 ordinary shares of 50p each	2,309	2,309
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 10. Reserves

	Share premium account £million	Revaluation reserve £million	Profit and loss account £million	Total £million
At 30 June 2012	6,908	34,228	4,467	45,603
Loss for the financial year	-	-	(30)	(30)
Exchange adjustments	-	1,043	-	1,043
Revaluation of investments	-	4,705	-	4,705
<b>At 30 June 2013</b>	<b>6,908</b>	<b>39,976</b>	<b>4,437</b>	<b>51,321</b>

The closing revaluation reserve balance at 30 June 2013 comprises the cumulative surplus gains on the revaluation of investments of £38,390 million (2012 - £33,685 million), cumulative exchange gain arising on the retranslation of investments of £1,204 million (2012 - loss of £349 million) and cumulative exchange gains of £382 million (2012 - £892 million) on retranslation of hedging foreign currency borrowings and other financial instruments

The exchange adjustment during the year of £1,043 million (2012 - loss of £751 million) consists of exchange gain on retranslation of overseas investments of £1,552 million (2012 - loss of £1,530 million) and net exchange loss on hedging foreign currency loans and other financial instruments of £509 million (2012 - gain of £779 million)

### 11. Reconciliation of movement in shareholders' funds

	30 June 2013 £million	30 June 2012 £million
Loss for the financial year	(30)	(30)
Exchange gains/(losses)	1,043	(751)
Revaluation of investments	4,705	10,489
<b>Net addition to shareholders' funds</b>	<b>5,718</b>	<b>9,708</b>
Shareholders' fund at beginning of year	47,912	38,204
<b>Shareholders' fund at the end of year</b>	<b>53,630</b>	<b>47,912</b>

## Notes to the financial statements (continued)

### 12. Financial instruments and risk management

As a result of translation exposure cover taken out to provide a hedge against foreign equity investments, the company had the following foreign currency exposures on the nominal legs of outstanding foreign exchange derivatives with Diageo Finance plc

	British Pound £million	South Korean Won £million	US Dollar £million	Total exposure £million
30 June 2013	258	(269)	7	(4)
30 June 2012	139	(110)	(31)	(2)

### 13. Immediate and ultimate parent undertaking

The immediate parent undertaking of the company is Grand Metropolitan International Holdings Limited, a company incorporated and registered in England

The ultimate parent undertaking of the company is Diageo plc, a company incorporated and registered in England. The consolidated financial statements of Diageo plc can be obtained from the registered office at Lakeside Drive, Park Royal, London, NW10 7HQ

### 14. Contingent liabilities

During the acquisition of 50% equity controlling of RCP, the owner of Zacapa brand, the company granted a put option to ILG to sell the remaining 50% equity stake exercisable from 2016 calculated on a profit multiple which is considered a surrogate to fair value